

INVESTORS' TAX INCENTIVES

Government of Malawi is committed to creating a conducive environment for the thriving of the private sector. One of the areas that Malawi realises is crucial for the private sector is the investment incentives. To this end, there are a wide range of tax incentives with the purpose of encouraging development, enhancing output, earning or saving foreign exchange and expanding employment opportunities. This brochure presents the details of all tax incentives for Malawi.

Domestic Taxes

1. MANUFACTURING SECTOR

- Pre business expenses up to 18 months are allowable expenses (sec 41 of the Taxation Act)
- Losses are carried forward indefinitely
- Capital allowances & investment allowances are claimed as follows:
 - 100% on new and unused plant and machinery and industrial buildings,
 - 40 % on used plant and machinery and industrial building

2. EXPORT SECTOR

- 25% export allowance for non-traditional exports, these include: processed tea, processed tobacco etc.
- 15% international transport allowance for non traditional exports
- Exports are zero-rated for purposes of Value Added Tax. It implies that exporters can claim input tax on course of production

3. AGRICULTURAL SECTOR

- Various capital expenditures in the agriculture sector in relation to construction of dams, dykes and land preparation are claimable,
- Growers of tea, coffee tobacco, sugar, cocoa to a plantation level are recognized as manufacturers which means they can claim all incentives available to a manufacturer
- Annual and initial allowances on staff housing in the agriculture sector is claimable

4. MINING SECTOR

- The whole capital expenditure on plant and machinery is claimable in the first year of operation.

5. GENERAL TAX INCENTIVES

These tax incentives are claimable by all taxpayers

- Losses are carried forward up to 6 years for traders
- Initial and annual allowances at various rates are granted besides the depreciation (annual) allowances
- Initial and annual allowances are claimed at various rates as stipulated by the Taxation ACT
- Commercial building with a construction cost of MK 100 million or above, are subject to annual allowance at 2.5 %
- A taxpayer can claim 50% allowance on social contributions paid directly into the building of a public hospital or school, or the sponsoring of youth sporting development activities.

Customs & Excise

The Malawi Government provides tax incentives on raw materials, machinery and equipment. The incentives are provided either in the main Customs Tariff Order or in specific Customs Procedure Codes (CPC). Below is a list of incentives which are implemented under the Customs and Excise Act.

1. MANUFACTURING SECTOR (CPC 401) - INDUSTRIAL REBATE

Investors can enjoy duty and excise exemption on raw materials if they choose to operate in designated industries in Malawi under industrial rebate scheme. Registered industrial rebate manufacturers are allowed to import raw materials duty and excise free under the CPC401 while VAT is zero-rated.

Use of this procedure implies a legal declaration that the goods are for the sole use in the industry declared and the importer will comply with all legal requirements and conditions relating to industrial rebate. Industries allowed to enjoy industrial rebate in Malawi are listed in the Eight Schedule of the Customs and Excise (Tariffs) Order.

2. TOURISM SECTOR

Investors intending to invest in the tourism sector in Malawi can enjoy the following incentives: free import duty, free import excise and VAT is zero-rated

CPC 442 (a) Goods for hotels, Lodges and Inns – with 50 rooms and above.

- i. Glass, china porcelain earthenware and stone articles of table ware, enamel and hollowware for table use Electro plated Nickel – silver and plated ware,

knives, forks, spoons and similar articles for cutlery and marked linen etched stamped or in any manner marked with the name of the hotel.

ii. Industrial catering equipment, motor boats scuba diving, jet skis, kayaks, wind surfers, pedalos, air conditioners, generators, gym equipment, message equipment, industrial washing machines, bar fridges, sauna, hot steam baths for furniture and furnishings.

CPC 442 (b) Materials and equipment for the establishment of a conference centre of seating capacity of 200 people

Public address system, video conferencing equipment, television screens, amplifiers, LCD equipment and industrial catering and bar equipment and indelibly engraved, itched, stamped or in any other manner marked with the name of the hotel/Lodge or inn

CPC 450 one passenger motor vehicle

One passenger carrying motor vehicle of tariff heading 87.02, except used motor vehicle in every five years for hotels, lodges and inns licenced under Tourism and Hotels Act, at a concessional import duty rate of 10% and free Excise duty while import VAT is payable at 16.5%.

3. AGRICULTURE SECTOR

IRRIGATION (CPC 446)

Investors in the irrigation sector enjoy import duty, import excise and VAT free (zero-rated) the following goods for direct use in irrigation: - PVC pipes, asbestos pipes/rubber seals, galvanized pipes, elbow, sprinkles rainers, control valves, solvent cement, diesel engine ranging from 12 kw- 17kw with tubes, pressure gauges and nozzles imported by a farming entity recognized by the Secretary of Agriculture.

HORTICULTURE PRODUCTION (CPC 448)

By investing in the horticulture industry, companies can enjoy exemption of duty, import excise and VAT free (zero-rated) on seeds, cuttings, seed netting green house structure, climate control equipment, 1 generator set, water pump or borehole, flower power lights, pump, electrical engines, diesel engine for irrigation with tubing, PVC piping, valves, sprinkler system, irrigation filters/nozzles, pressure regulators, new refrigerated trucks per five years, cold rooms, strapping materials and clips, metal wires, strings elastic bands, processing equipment, bag strikers, laboratory equipment, chemical and

reagents, soil testing kits, moisture testers, graders, chemicals rose cutter, spray equipment, sealing equipment and fumigation equipment. These goods must be intended for export.

FISHING INDUSTRY (CPC 477)

By investing in the fishing industry companies can enjoy import duty, import excise and import VAT free (zero-rated) on importation of Machinery, plant, laboratory equipment and materials, aerators, pumps, blowers, diamond mesh, nets, measuring equipment, separators, specialized tanks and diffusers, boat engines and trawlers for deep sea fishing.

In addition, fishing vessels, factory ships and other vessels for processing or preserving fishery products are import duty free in their own right in the Customs and Excise (Tariffs) Order.

POULTRY FARMING

By investing in poultry farming companies can enjoy import duty free clearance of machines for cleaning, sorting or grading eggs, fruit or other agricultural produce, machinery for preparing animal feeding stuffs, poultry incubators.

Other Agricultural Goods

In addition to the incentives for the subsectors above, the following are some of the goods which are essential for farming and investors can enjoy duty free clearance in their own right according to the Customs and Excise (Tariffs) Order: Fertilizers, Pesticides, Herbicides, Ploughs, agricultural horticultural or forestry machinery for soil preparation or cultivation i.e. ploughs harrows, scarifiers, cultivators, weeders, manure spreaders and fertilizer distributors and Milking machinery.

4. TRANSPORT SECTOR

Road Transport (CPC 440)

Investors in the road transport industry can enjoy import duty, import excise and import VAT free (zero-rated) clearance of new buses and buses used for a period not exceeding five (5) years of a seating capacity of forty five (45) persons or more persons including the driver.

In addition, goods carrying motor vehicles exceeding 20 tonnes are import duty free but excise duty is payable.

Rail Transport

In order to promote the railway industry, railway materials are import duty free and exempted from VAT.

Air Transport

In order to promote the air transport sector, aeroplanes and other aircraft of unladen weight exceeding 2,000kg are import duty free in their own right in the Customs and Excise (Tariffs) Order.

5. ENERGY SECTOR (CPC 489)

In order to promote the energy sector, the following goods for use in electricity generation and distribution are import duty and import excise free:- fuses, transformers, sling, ring main unit, insulators, galle chain equipment, conductors, surge arrestors, column duplex, AAC/PVC and electricity supply meters.

In addition, energy saver bulbs are import duty free in their own right in the Customs and Excise (Tariffs) Order. VAT is payable at 16.5%.

Solar products are import duty free in their right in the Customs and Excise (Tariffs) Order for example solar batteries and solar energy lamps. VAT is payable at 16.5%

6. CAPITAL MACHINERY AND RAW MATERIALS OF GOODS UNDER EXPORT PROCESSING ZONE (EPZ) (CPC 475)

By investing in a designated EPZ, investors enjoy exemption of all duties (Import, Excise and VAT (zero-rated)) on capital machinery and raw materials directly used in production of goods for export under CPC 475.

7. MINING SECTOR

In order to promote the mining sector, grading, leveling, scraping, excavating or boring machinery, for earth, minerals or ores; pile drivers and pile extractors are import duty free and VAT exempt in their own right in the Customs and Excise (Tariffs) Order.

8. BANKING SECTOR (CPC 487)

ATM machines, point of sale machines and mobile banking vans imported by commercial banks locally registered by the Reserve bank of Malawi are allowed import duty and excise duty free under CPC 487. VAT is payable a 16.5%.

9. EDUCATION (CPC 406)

Investors in the education sector can enjoy import duty and import excise free clearance and VAT exemption of various educational materials when they are imported by educational institutions.

The materials are as follows:- School stationery, instruments, apparatus, appliances and other tuitional requisites including specialized furniture for use in the Classroom, workshop or laboratory, athletic and sports goods, for tuitional purposes. In the case of pre-school play groups; Photocopying machines, building materials, pianos, organs, keyboards and computers are import duty free. In addition books are duty free in their right in the Customs and Excise (Tariffs) Order.

10. HEALTH (CPC 405)

By investing in the health sector, investors can enjoy import duty and import excise free clearance and the exemption of VAT on the following goods:- Hospital, nursing home, clinic, surgery and dispensary instruments, apparatus, appliances and requisites including parts thereof and including specialized furniture diagnostic and laboratory reagents for use in the diagnosis or treatment of diseases or affections of humans or animals.

In addition medical, surgical, dental and sight testing instruments are also import duty free and exempted from VAT payment.